Pharmacy Benefit Managers: Poor Accountability and Transparency Harm Medicaid Patients and Independent Pharmacies

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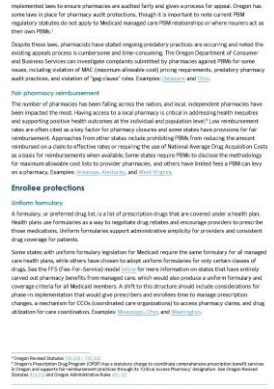
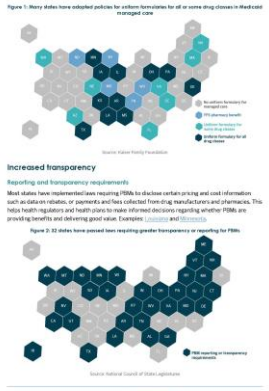
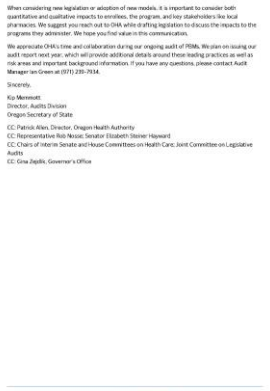
September 2023

Real time reporting

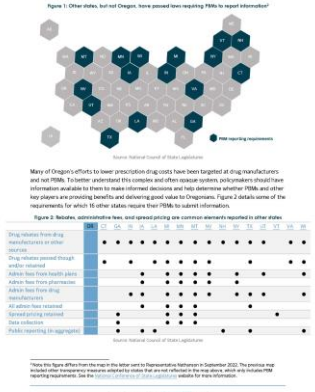
September 14, 2022

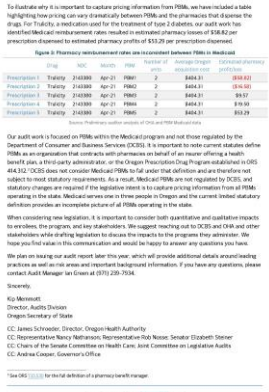






February 6, 2023



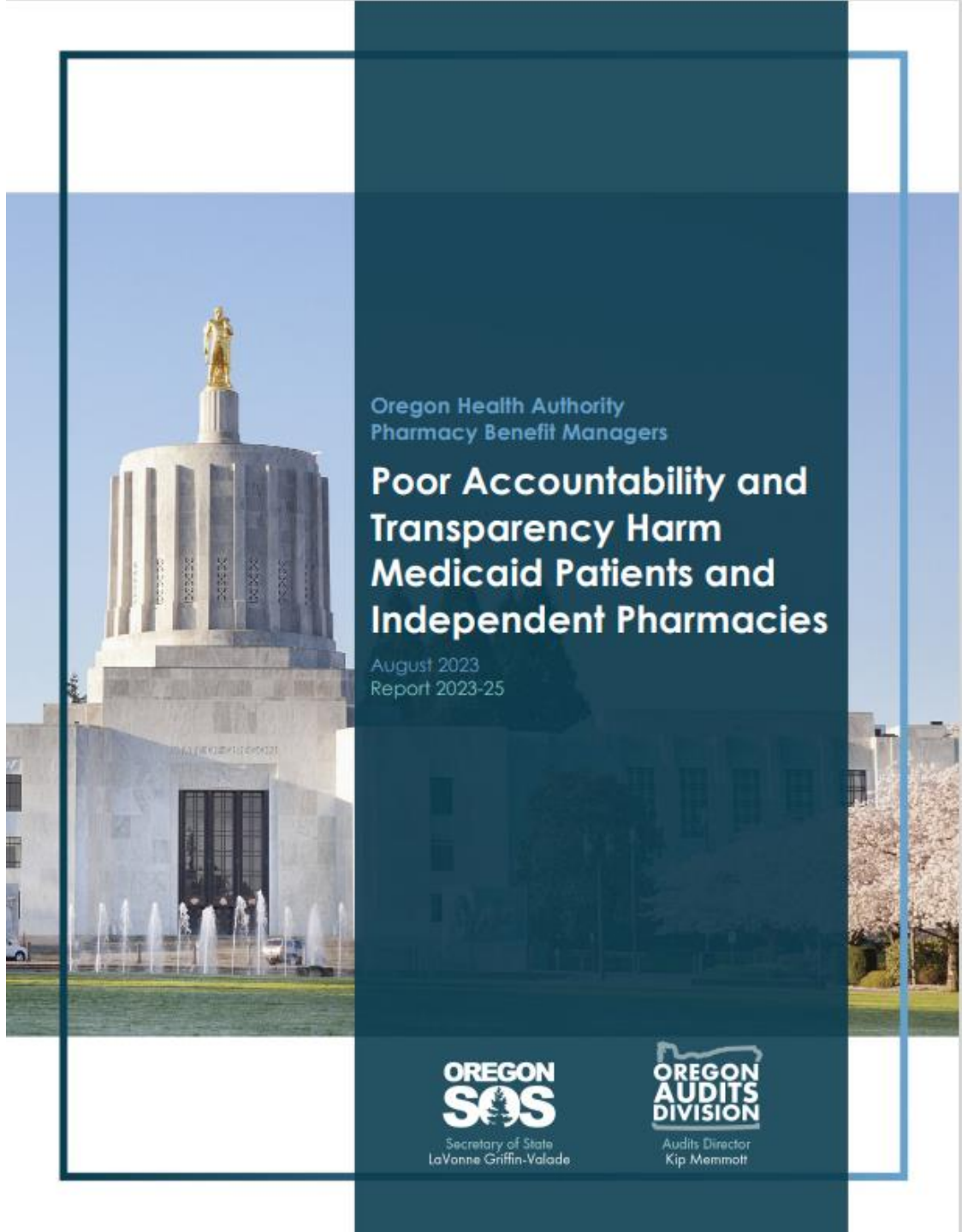


Key Findings

The current structure is too complex

Practices adopted by other states would add value

OHA can improve PBM contract monitoring



Origin and evolution of PBMs

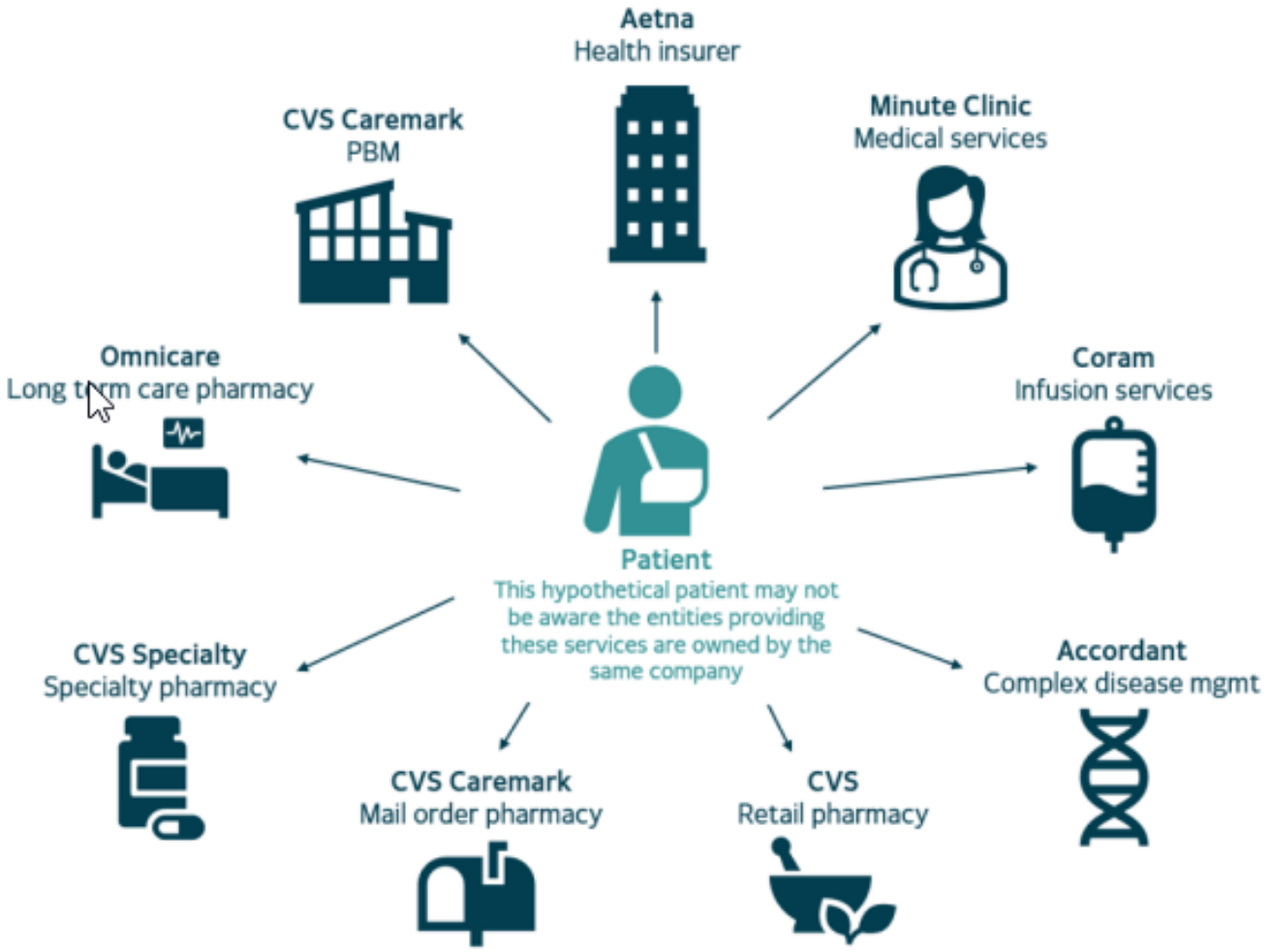
First PBM in 1968

Then: Claims processing

Now: Vertically integrated component of the health care sector

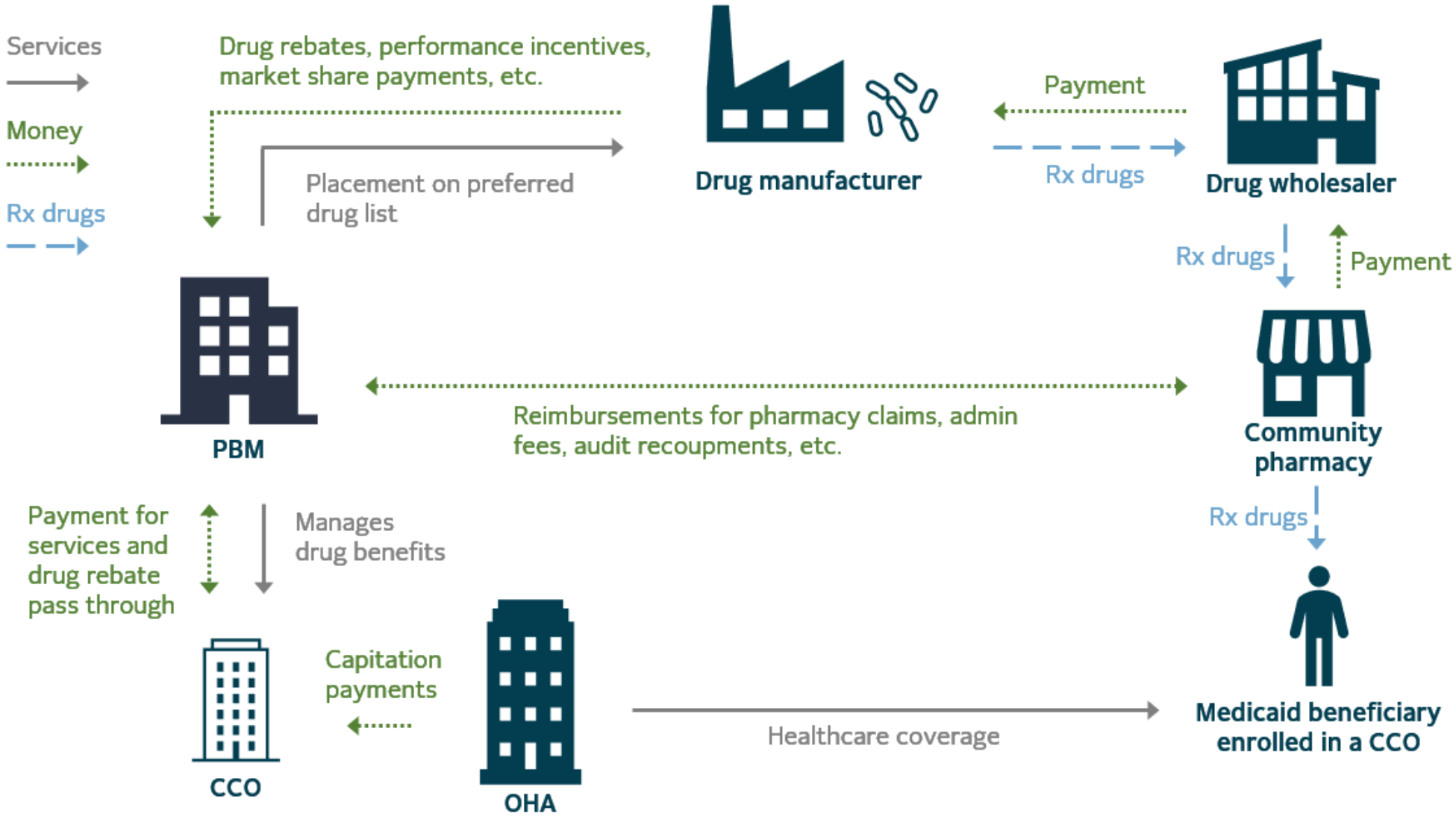
- 3 companies control 80% of market

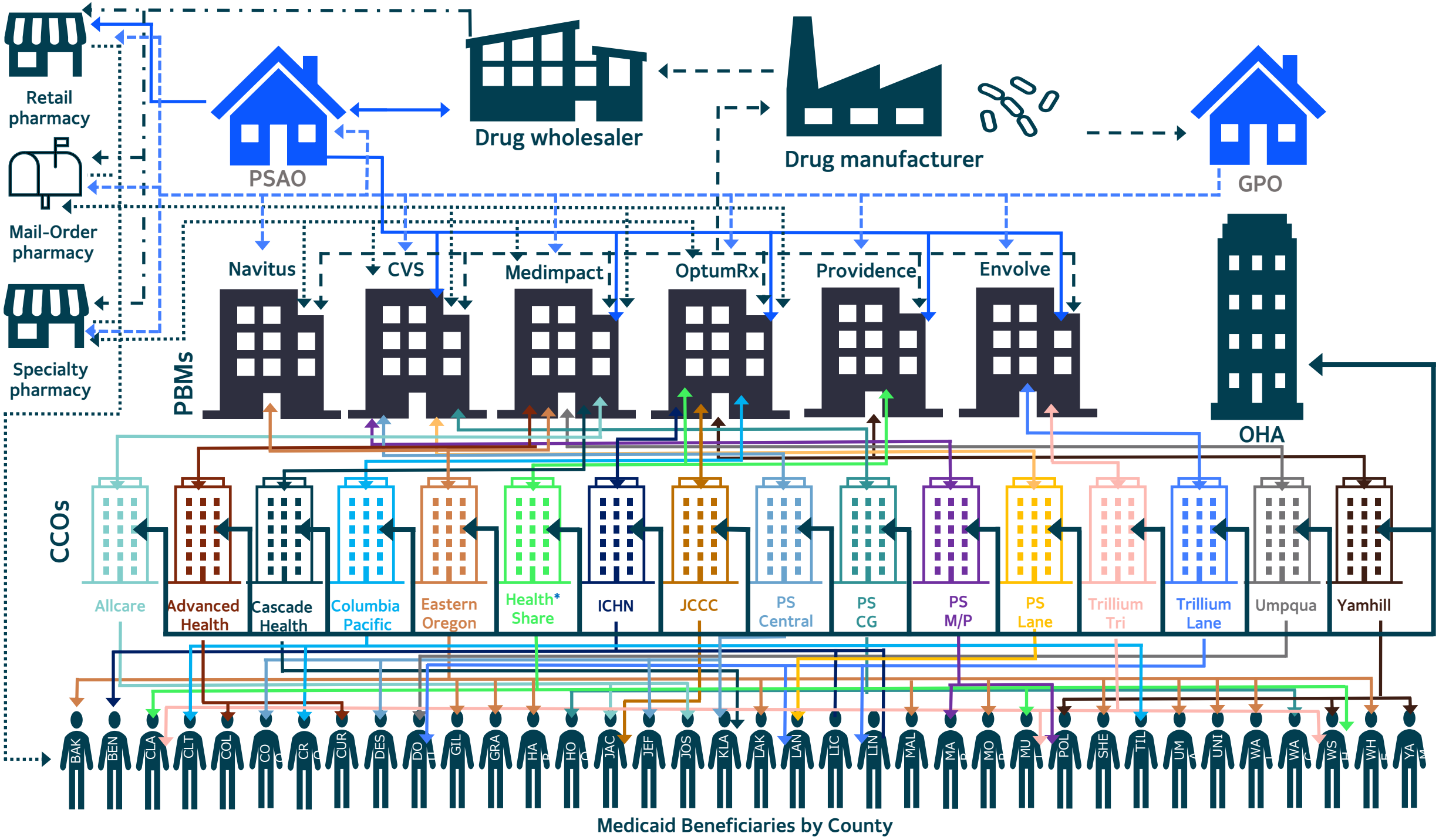
Figure 2: A hypothetical example of a patient who receives care from vertically integrated entities



Source: Auditor created based on CVS and subsidiary information

Simplified Model of Oregon's Medicaid PBM System




Retail pharmacy
Mail-Order pharmacy
Specialty pharmacy
PSAO
Drug wholesaler
Drug manufacturer
GPO
PBMs
Navitus
CVS
Medimpact
OptumRx
Providence
Envolve
OHA
CCOs
Allcare
Advanced Health
Cascade Health
Columbia Pacific
Eastern Oregon
Health* Share
ICHN
JCCC
PS Central
PS CG
PS M/P
PS Lane
Trillium Tri
Trillium Lane
Umpqua
Yamhill
BAK
BEN
CLA
CLT
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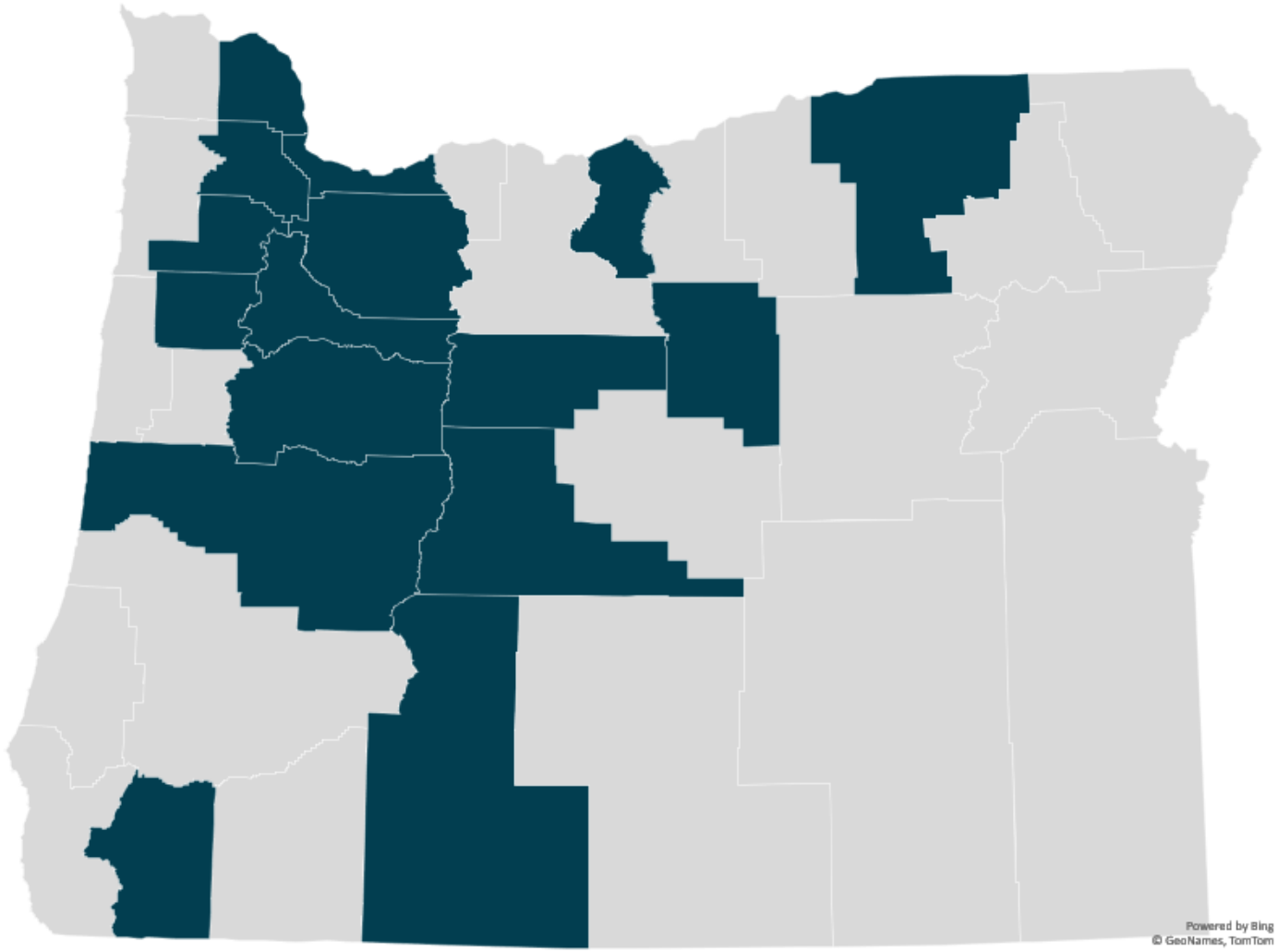
Medicaid Beneficiaries by County

Oregon needs more community pharmacies

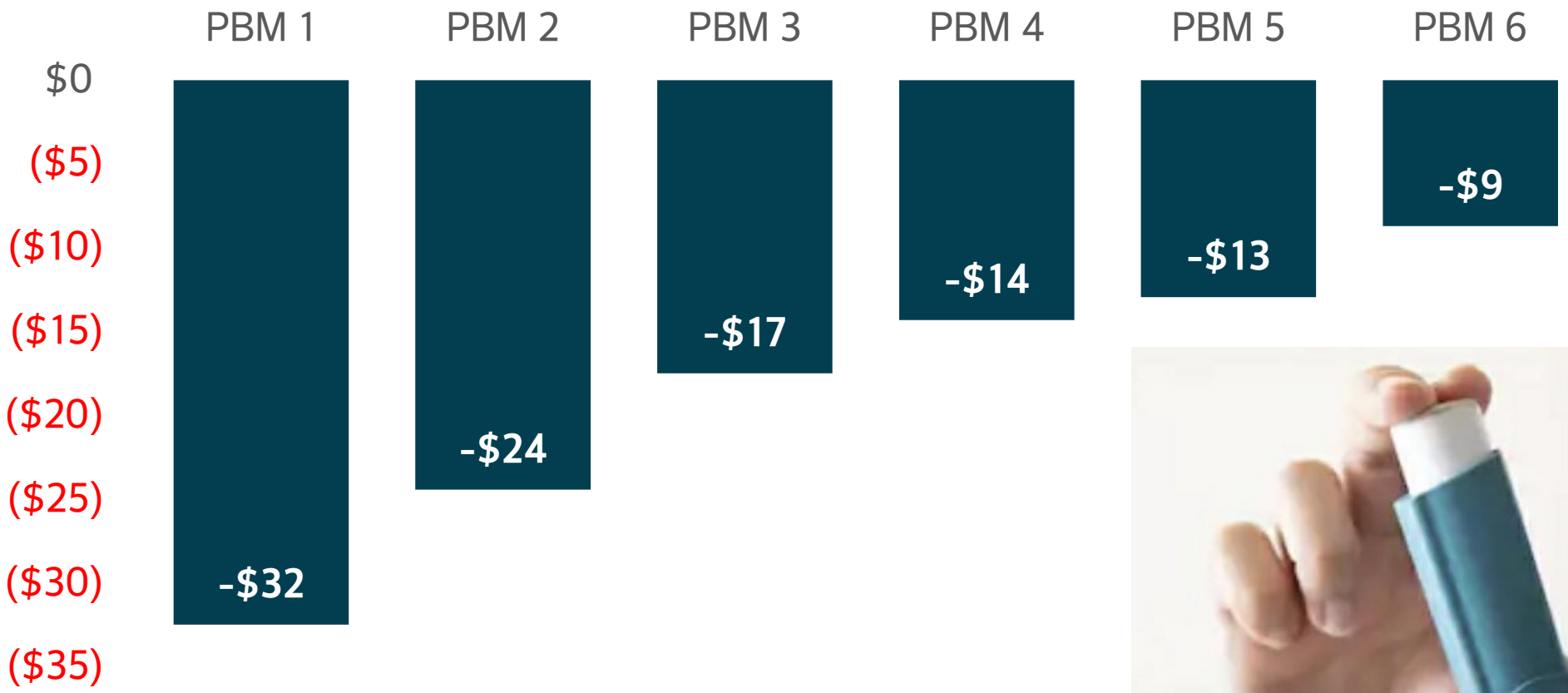


Counties below the national average for pharmacies per 10,000 people

- Clackamas
- Columbia
- Deschutes
- Jefferson
- Josephine
- Klamath
- Lane
- Linn
- Marion
- Multnomah
- Polk
- Sherman
- Umatilla
- Washington
- Wheeler
- Yamhill

Murray's Pharmacy in Heppner Oregon serves over 3,000 square miles

Pharmacies lose money filling lifesaving prescriptions



Pharmacies lost $1.3 million filling 71,000 Albuterol Sulfate prescriptions in 2021

Reimbursement rates vary considerably

Figure 14: Pharmacy reimbursements vary widely between selected prescription drugs in 2021

Drug	Number of claims tested	Dollar amount tested	Est. total pharmacy profit/loss	Est. average pharmacy profit/loss per claim
Acetaminophen (Tylenol)	12,178	$28,349	$4,269	$0.35
Albuterol Sulfate	70,955	$2,766,642	-$1,315,643	-$18.54
Amoxicillin	13,608	$51,462	$35,067	$2.58
Basaglar	45,767	$16,790,230	$219,619	$4.80
Biktarvy	6,195	$20,369,308	$192,792	$31.12
Budesonide and Formoterol Fumarate Dihydrate	14,924	$4,079,910	$865,952	$58.02
Buprenorphine and Naloxone	26,101	$3,766,875	$1,238,829	$47.46
Eliquis	17,743	$8,457,352	$48,779	$2.75
Flovent	12,868	$3,357,669	$56,127	$4.36
Humira	3,947	$26,178,519	$25,836	$6.55
Metformin	26,184	$124,781	$62,680	$2.39
Omeprazole	47,812	$176,185	$117,167	$2.45
Trulicity	18,473	$15,267,881	$716,139	$38.77
Total	**316,755**	**$101,415,163**	**$2,267,613**	

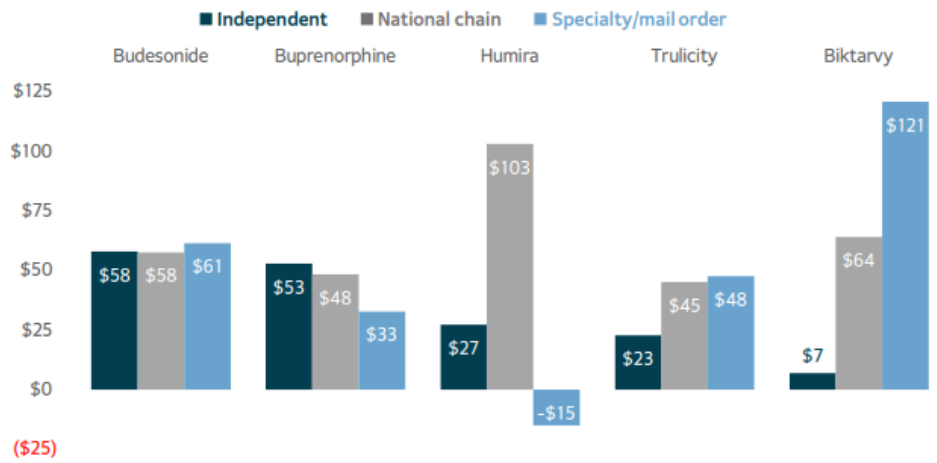
Source: Auditor analysis of OHA and PBM 2021 claims data and Oregon average acquisition cost data

Figure 3: Pharmacy reimbursement rates are inconsistent between PBMs in Medicaid

	Drug	NDC	Month	PBM	Number of units	Average Oregon acquisition cost	Estimated pharmacy profit/loss
Prescription 1	Trulicity	2143380	Apr-21	PBM1	2	$404.31	($58.82)
Prescription 2	Trulicity	2143380	Apr-21	PBM2	2	$404.31	($16.58)
Prescription 3	Trulicity	2143380	Apr-21	PBM3	2	$404.31	$9.57
Prescription 4	Trulicity	2143380	Apr-21	PBM4	2	$404.31	$19.50
Prescription 5	Trulicity	2143380	Apr-21	PBM5	2	$404.31	$53.29

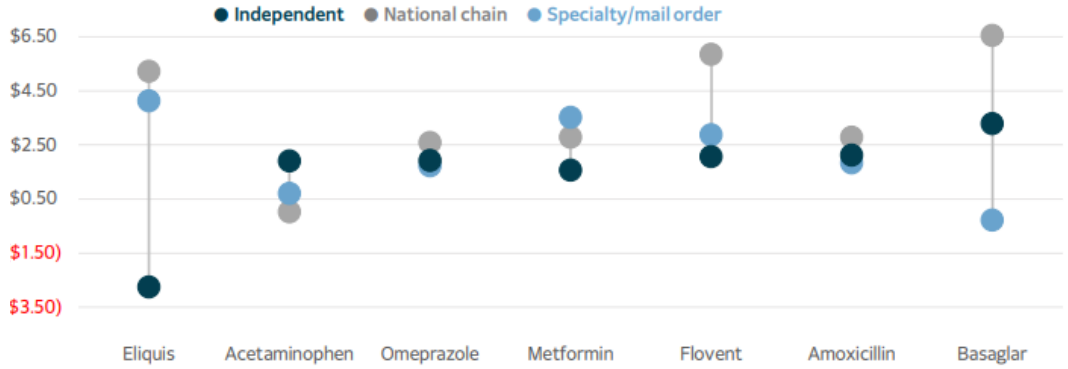
Source: Preliminary auditor analysis of OHA and PBM Medicaid data

Figure 16: Estimated pharmacy profits for some brand name drugs differ significantly depending on pharmacy type



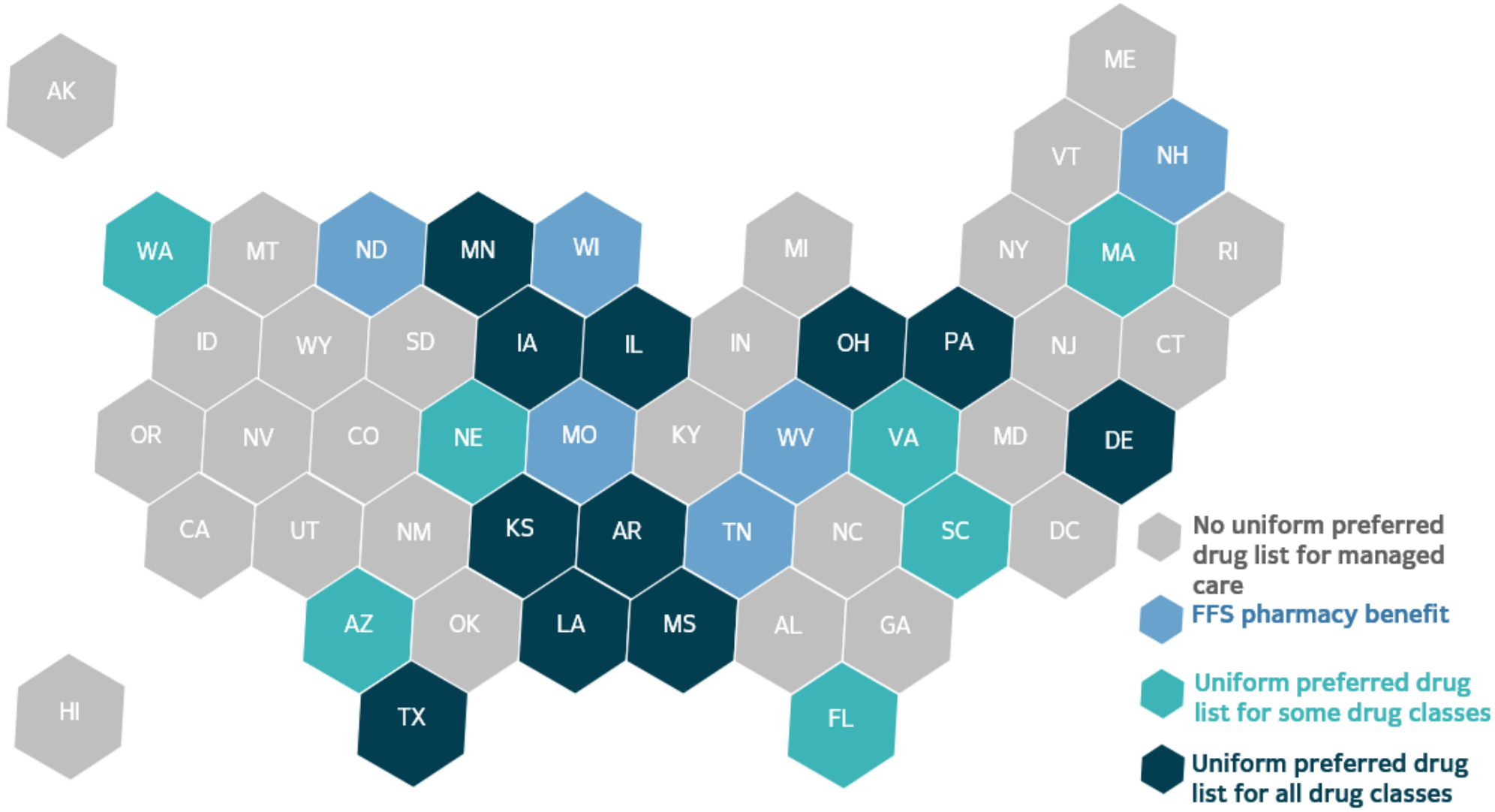
Source: Auditor analysis of OHA and PBM 2021 claims data and Oregon Average Acquisition Cost data

Figure 17: National and specialty/mail order pharmacies were reimbursed more than independent pharmacies for most drugs tested



Source: Auditor analysis of OHA and PBM 2021 claims data and National and Oregon Average Acquisition Cost data

Patient protections – uniform preferred drug list



Transparency – PBM reporting requirements

New due to SB192 (2023)

	OR	CT	GA	IN	IA	LA	MI	MN	MT	NV	NH	NY	TX	UT	VT	VA	WI
Drug rebates from drug manufacturers or other sources	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●
Drug rebates passed though and/or retained	●	●		●		●	●	●	●	●			●			●	●
Admin fees from health plans					●		●	●	●	●		●		●			●
Admin fees from pharmacies					●		●	●	●	●		●					
Admin fees from drug manufacturers	●			●	●		●	●	●	●		●	●	●			●
All admin fees retained	●				●		●	●	●				●				
Spread pricing retained			●				●	●	●						●		
Data collection			●				●	●	●								
Public reporting			●		●	●					●		●				●

Recommendations

OHA

- Improve contracts and expand monitoring of PBMs

Legislature

- Select different PBM model
- Require uniform preferred drug list
- Create fair pharmacy reimbursement policy
- Include Medicaid PBMs in ORS 735.530 (DCBS statutes)
- Require PBMs to act as fiduciaries
- Increase PBM reporting requirements
- Study centralized drug purchasing program

Questions?

Key Recommendation
Simplify the Medicaid PBM system

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